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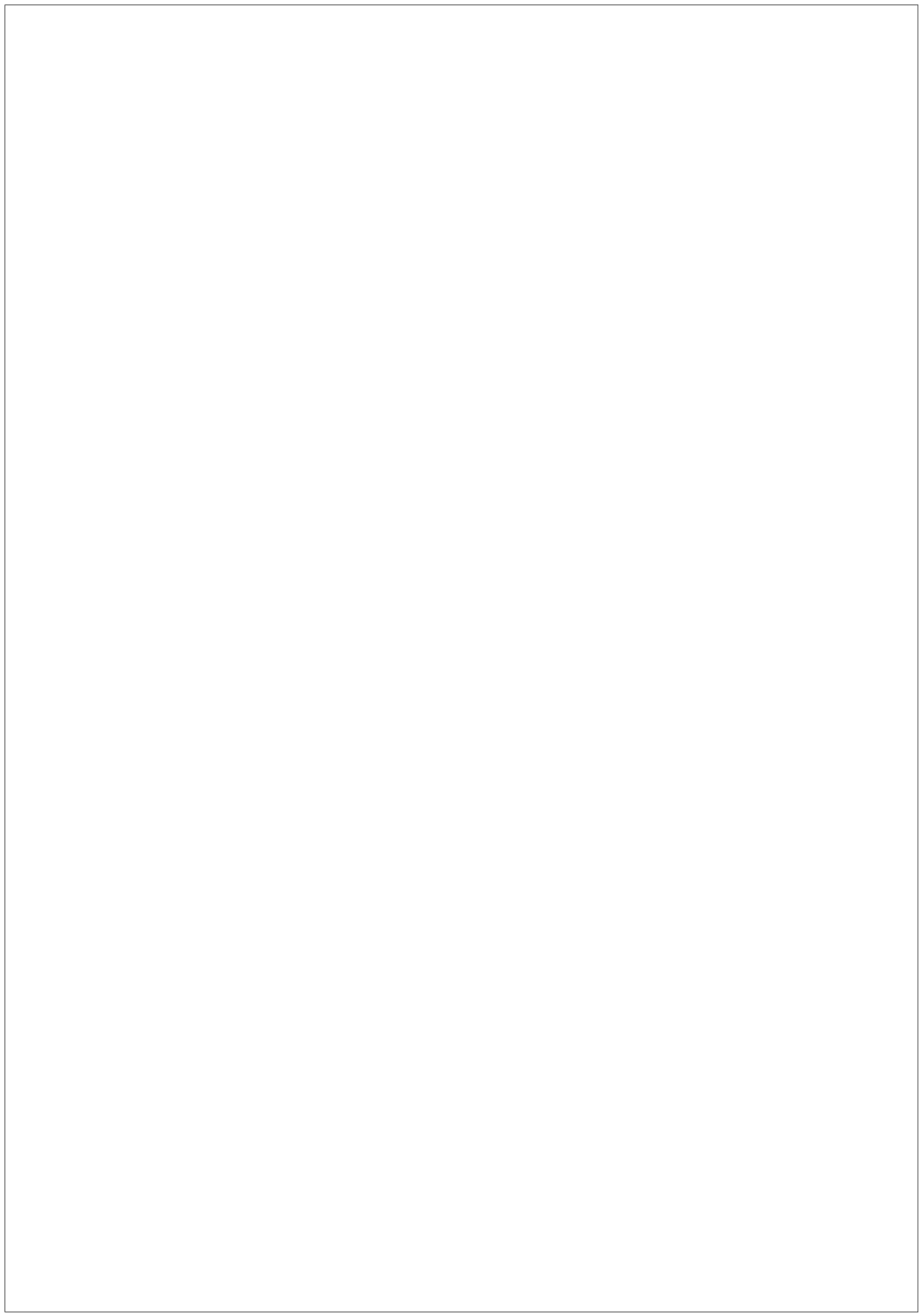

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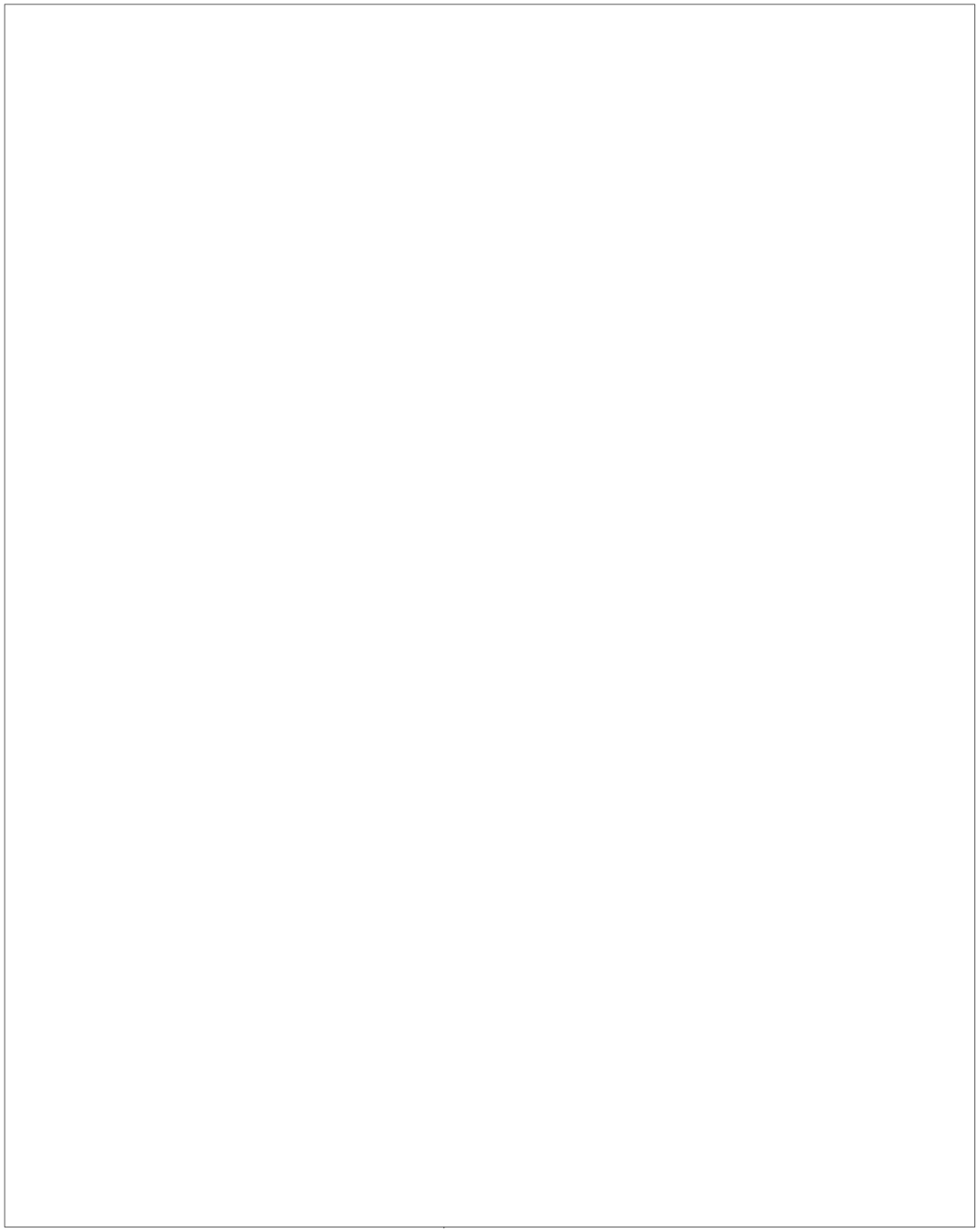

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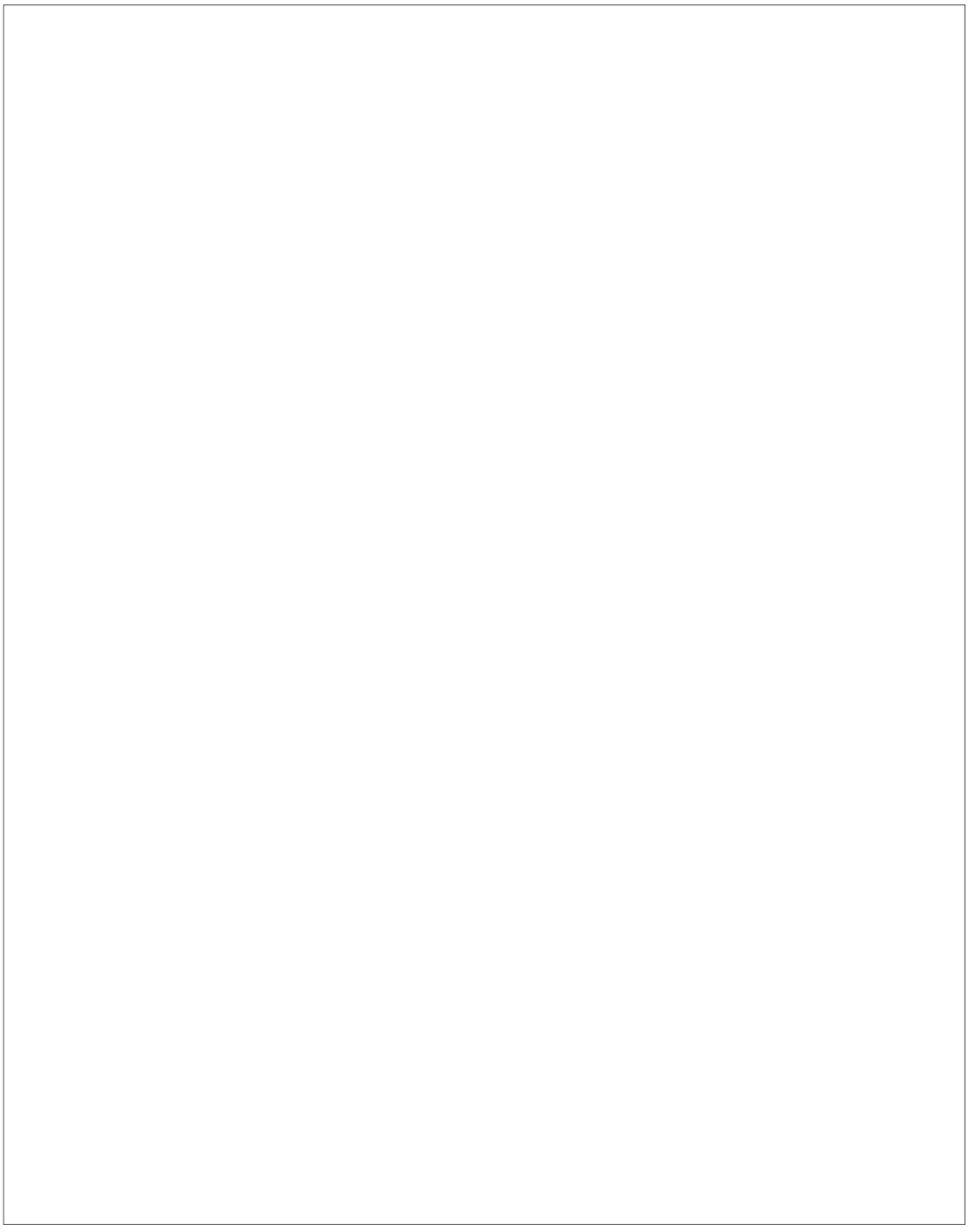

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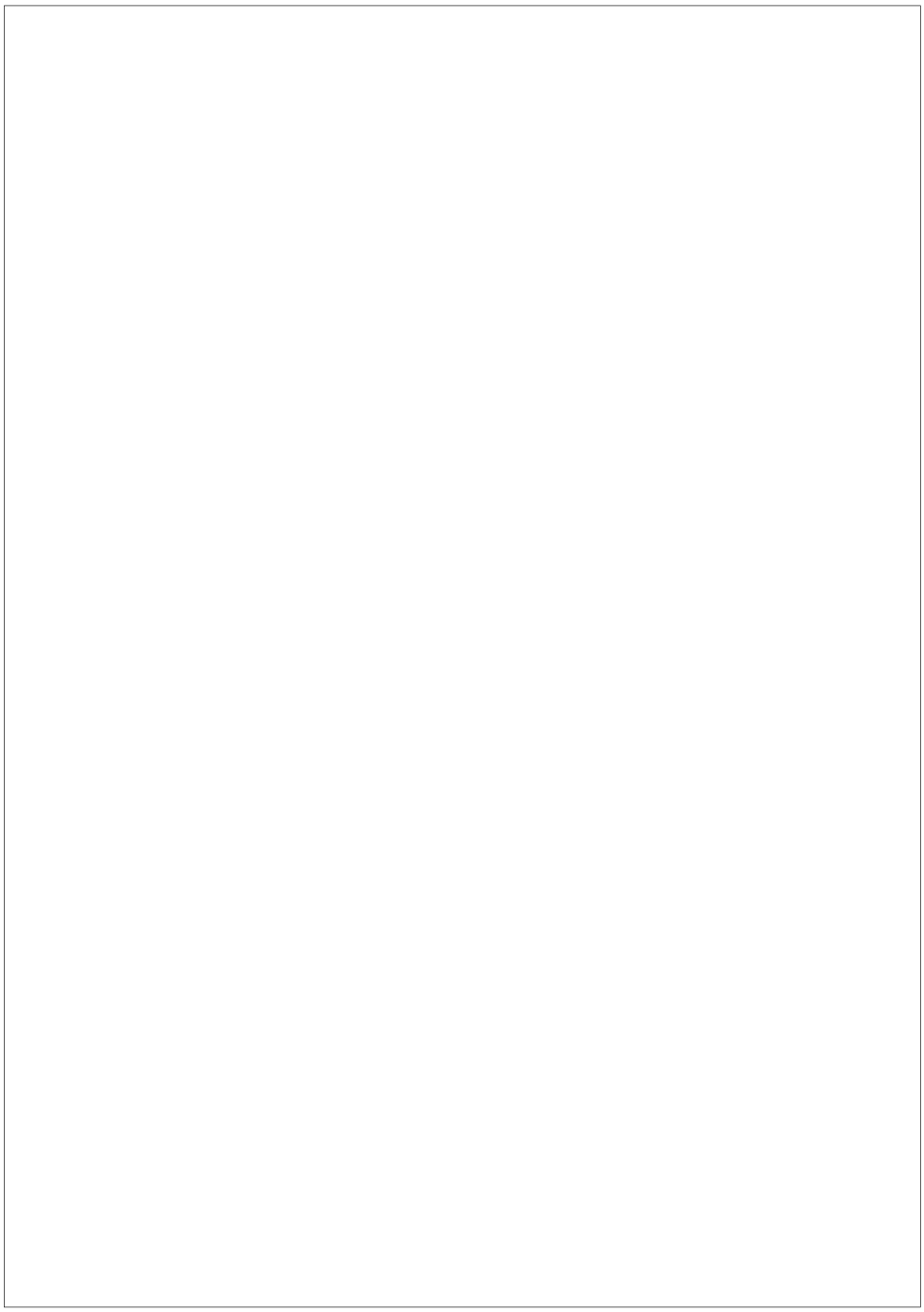

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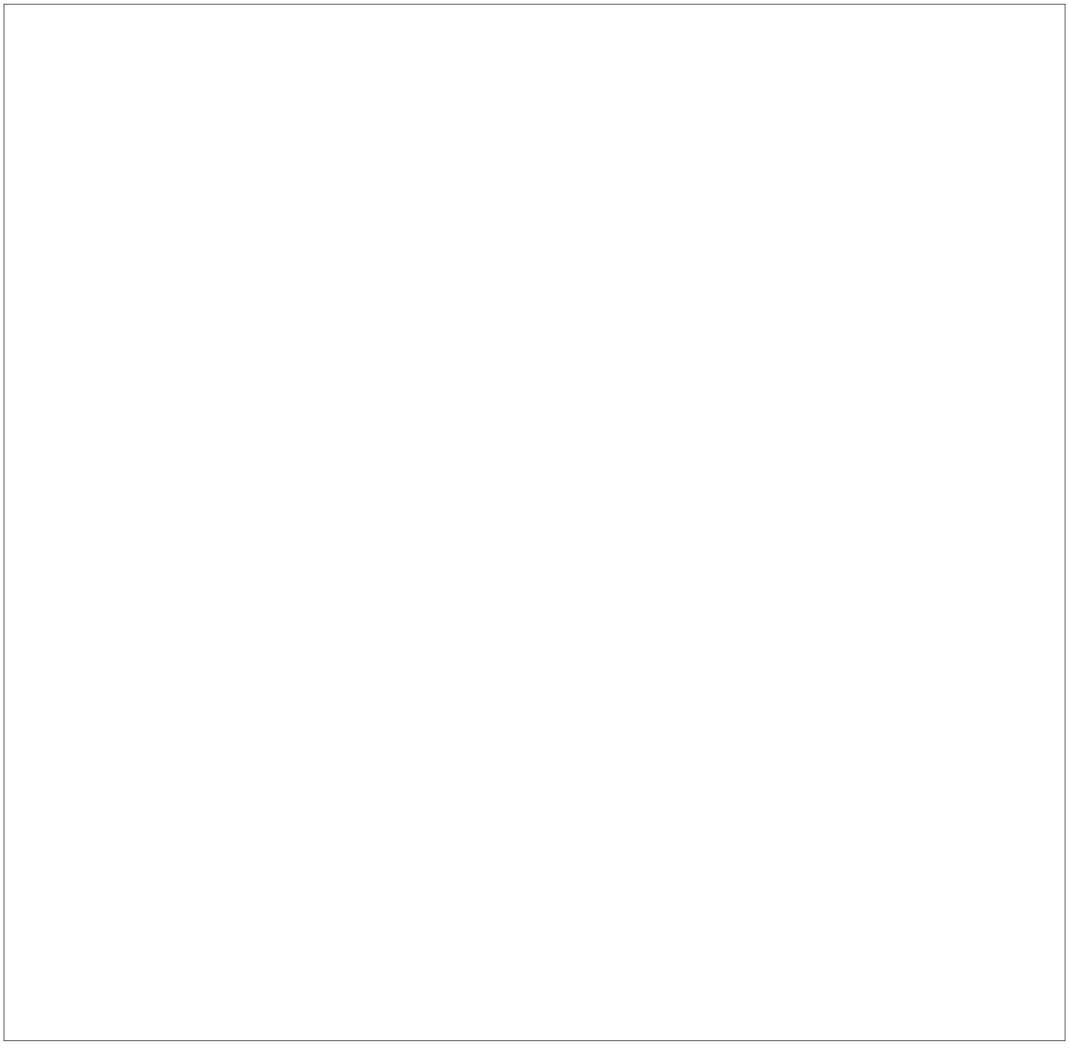

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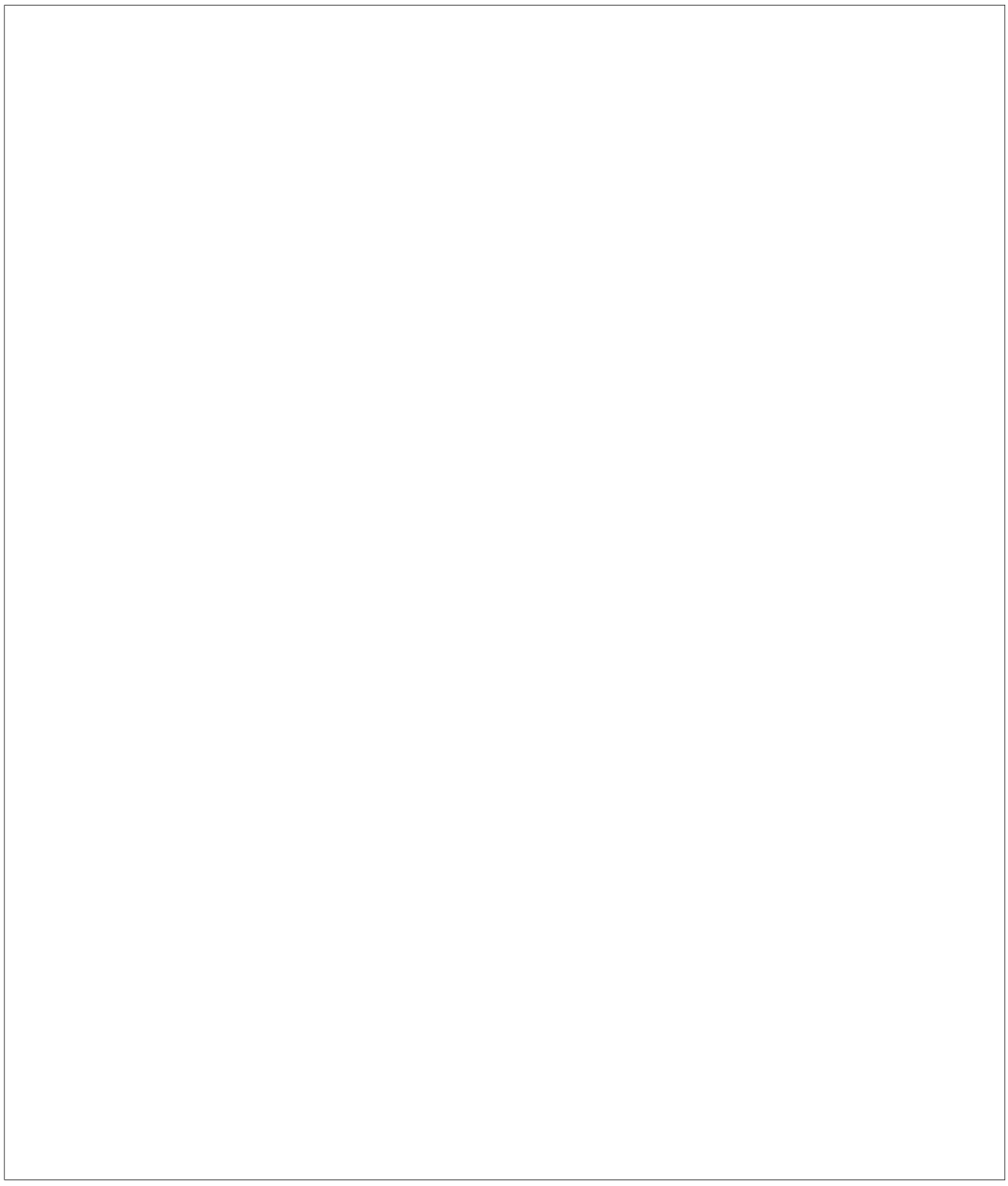

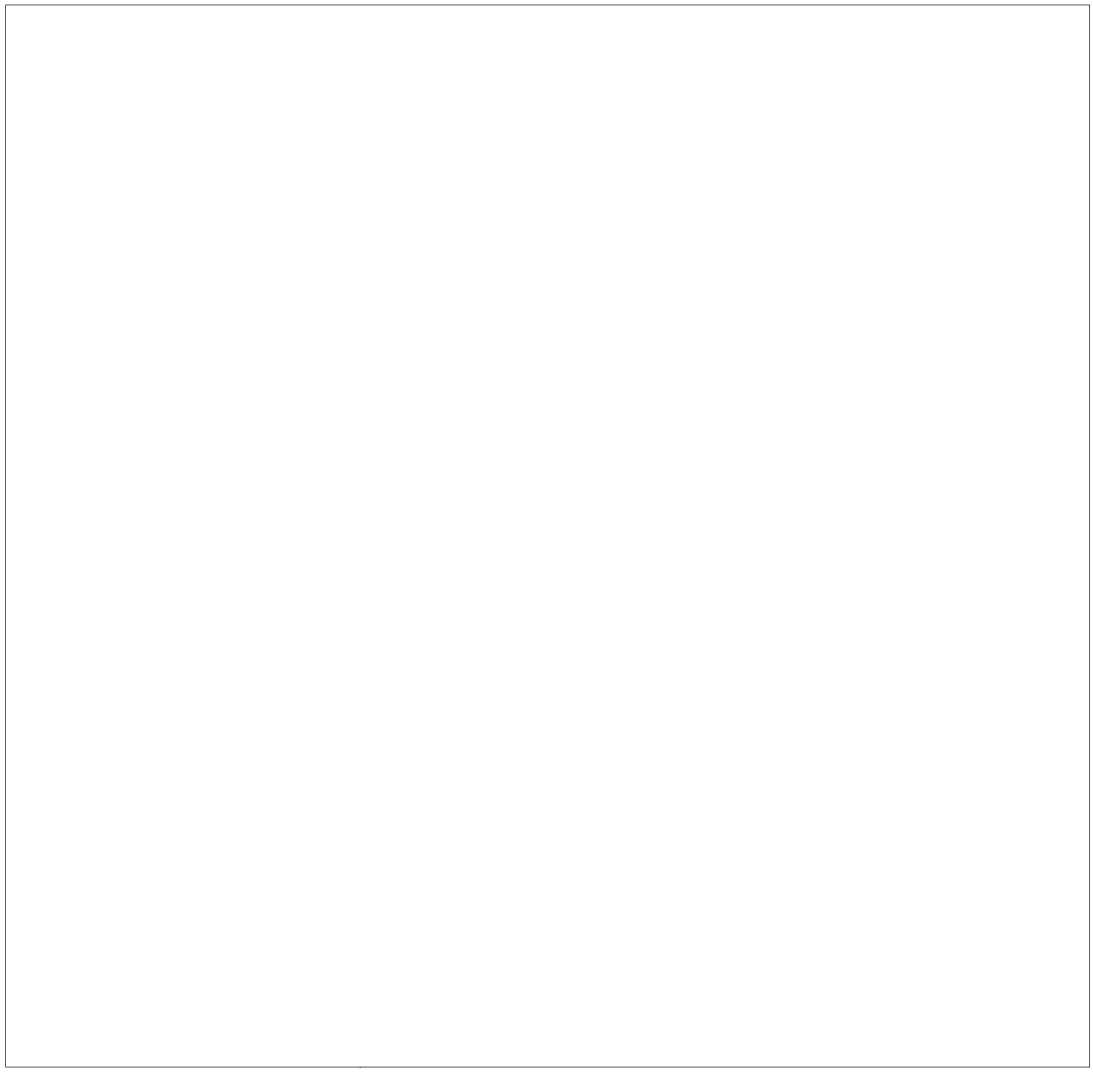

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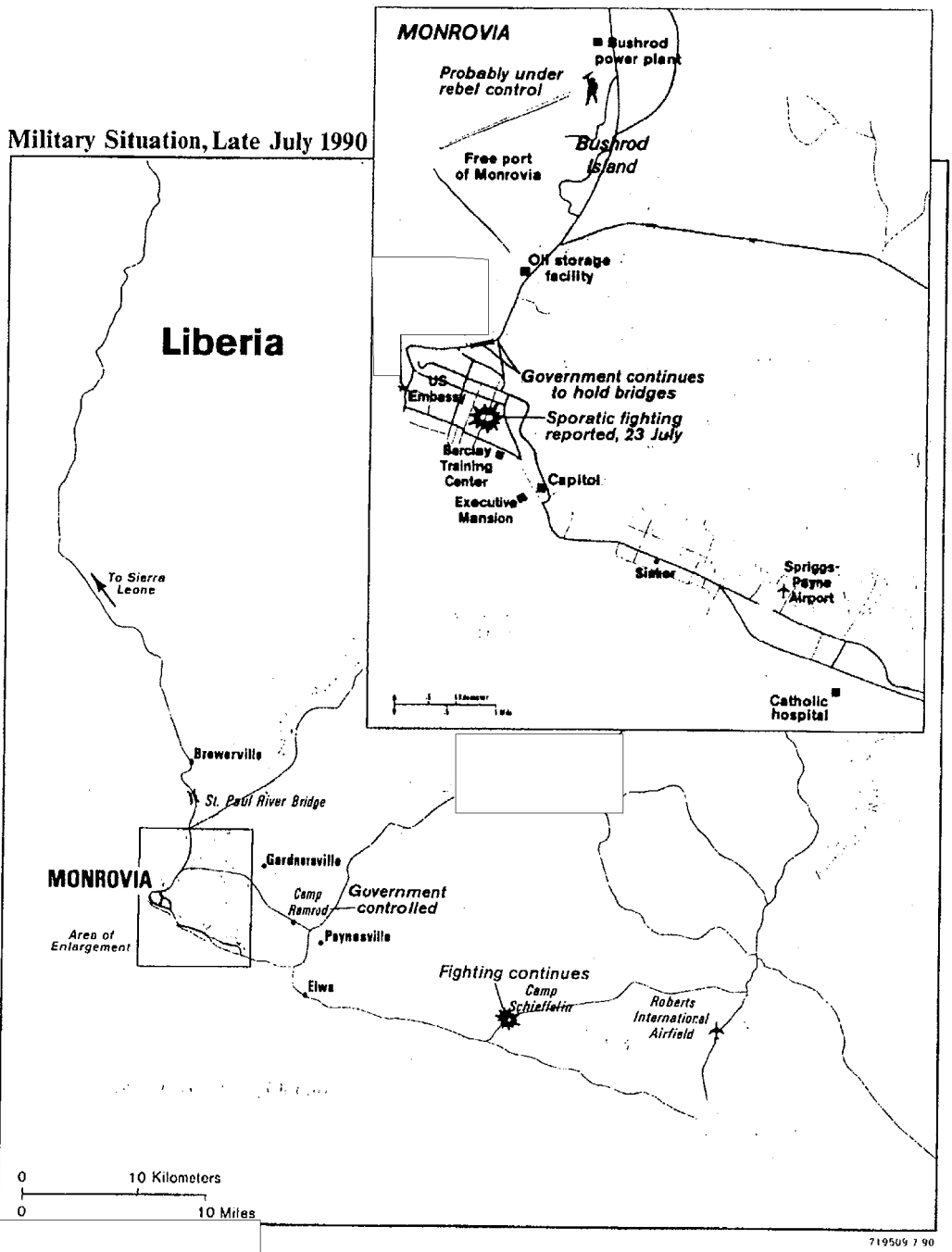
Military Situation, Late July 1990



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24 July 1990

LIBERIA: Fighting in Downtown Monrovia

Rebel troops infiltrated downtown Monrovia yesterday morning, and there was widespread—but sporadic—shooting throughout the day. Heavy explosions, probably from army artillery firing on Bushrod Island, continued. The rebels reportedly are consolidating their hold on the island. The army seems to be maintaining a presence at the two bridges linking Bushrod to the downtown area. The rebels appear to have increased their presence around Brewerville, and probably control the checkpoint there. Areas south of downtown Monrovia—including Sinkor, Paynesville, and Elwa—were quiet except for shooting from the direction of Camp Schieffelin.

Comment: Fighting in downtown Monrovia will significantly heighten the risk to US citizens and other expatriates residing there. Rebel control of the Brewerville checkpoint on the road to Sierra Leone virtually ensures that President Doe's troops have no way out of the city. They are increasingly likely to resort to widespread destruction, using heavy artillery, explosives, and arson, in an attempt to halt the rebels' progress.

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USSR: Economic Reform Decrees To Be Issued by September 1990

Council of Ministers Decrees on:

— Transformation of state enterprises into joint-stock companies.

— Acceleration of implementation of the law on leasing.

— Development of small enterprises.

Proposed Presidential Decrees on:

— Creation of a special agency to manage transformation of state enterprises.

— Basic provisions for denationalizing industry.

— Rights of entrepreneurs.

— Reducing the budget deficit.

— Financial and credit policy.

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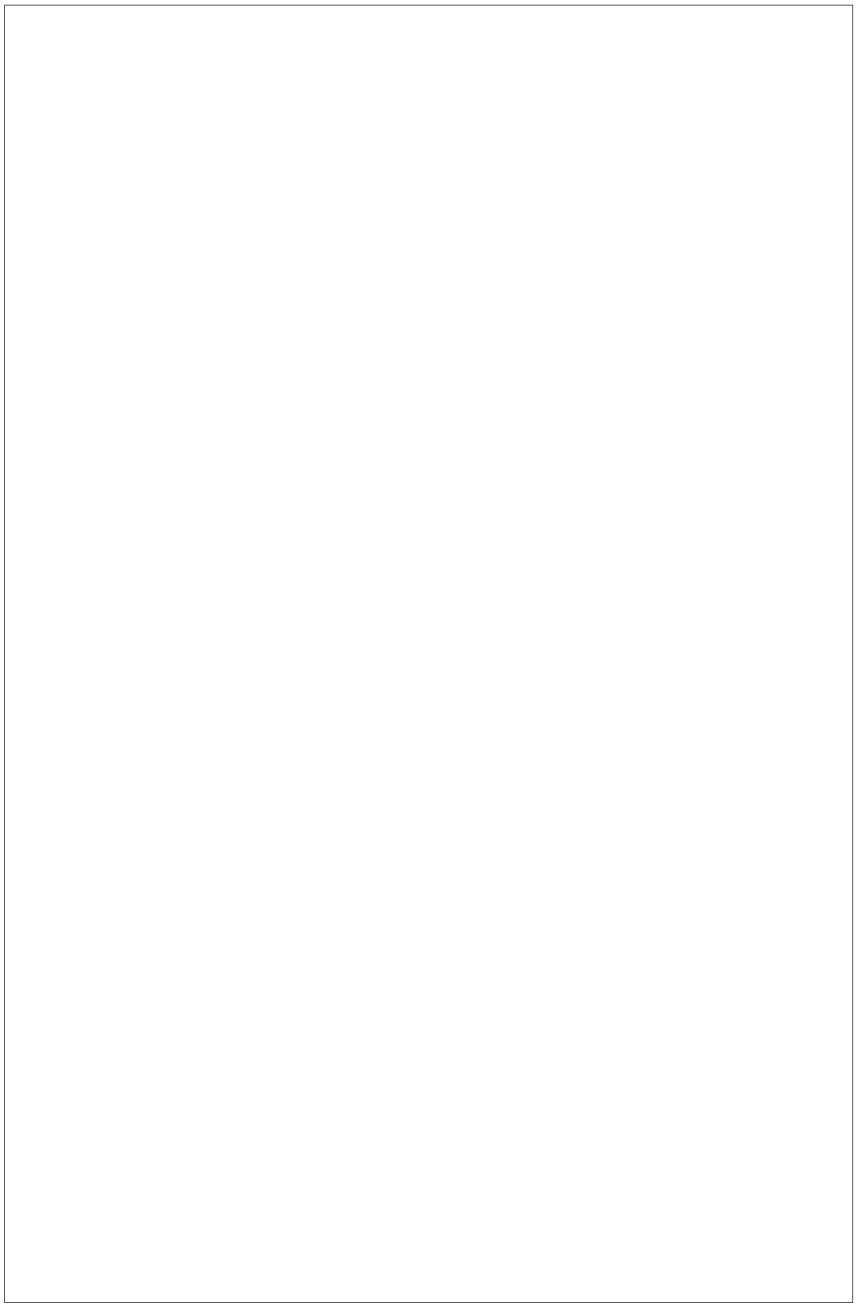
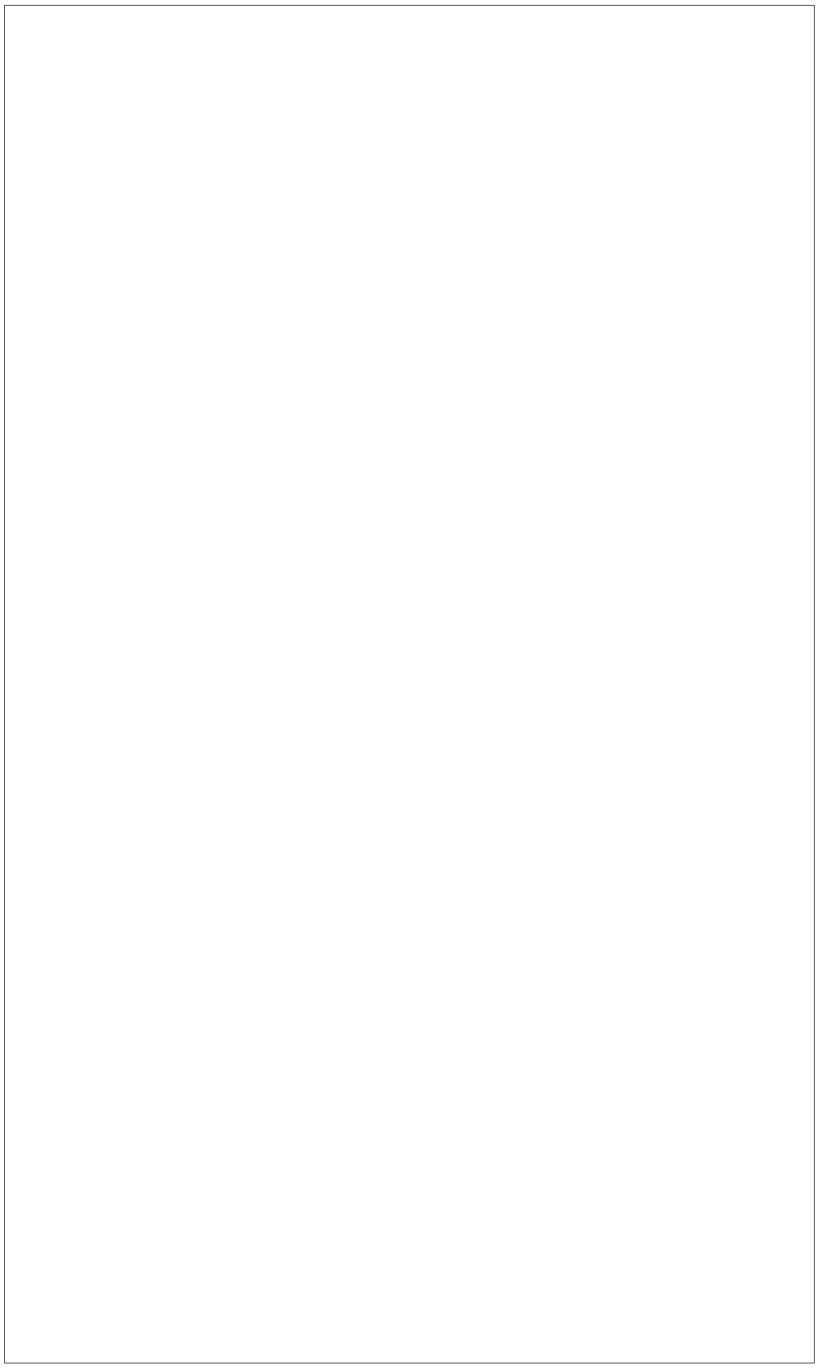
USSR: Ryzhkov Takes Offensive on Economic Reform

In a speech Friday to a joint session of the Presidential and Federation Councils, Premier Ryzhkov reiterated his call for immediate price revisions and outlined a series of decrees to accelerate economic reform. He acknowledged that price reform is unpopular but warned that further postponement would make the planned transition to a market economy "totally unrealistic." He also said the separatist actions of the republics are undermining plans to create a unionwide market and will prove harmful to the economies of the republics involved.

Comment: Ryzhkov's insistence on the need for immediate price revisions runs counter to statements by Gorbachev and his advisers that it would be impolitic to begin the new reform program with price increases. The Premier's stress on the advantages of a unionwide market, combined with the announcement of decrees to be issued over the next few months, appears to be an effort to recapture the reform initiative from Boris Yel'tsin and his highly publicized program for the Russian Republic.





USSR: Reiterating Opposition to US Bases in Singapore

A Soviet official recently said US talks with Singapore on an expanded US military presence on the island run counter to the general effort to ease tensions and had caused concern among some ASEAN countries. TASS said the US wants an alternative site for its forces in the Philippines if it has to withdraw them after the bases agreement with Manila expires next year. A radiobroadcast to Malaysia claimed the US also wants new defense agreements with other countries in the region, particularly Malaysia, Thailand, and Indonesia.

Comment: The Soviets do not want to get into an argument with the US over security issues in Southeast Asia but probably will complain to Singapore's new Ambassador about the prospect of increased US access to military facilities in Singapore. The USSR also will try to stir up opposition to the idea throughout the region, especially in Malaysia and Indonesia. The Soviets have too much interest in closer economic ties to the region, however, to let a strengthened US military presence cramp their relations with Singapore or other ASEAN states.

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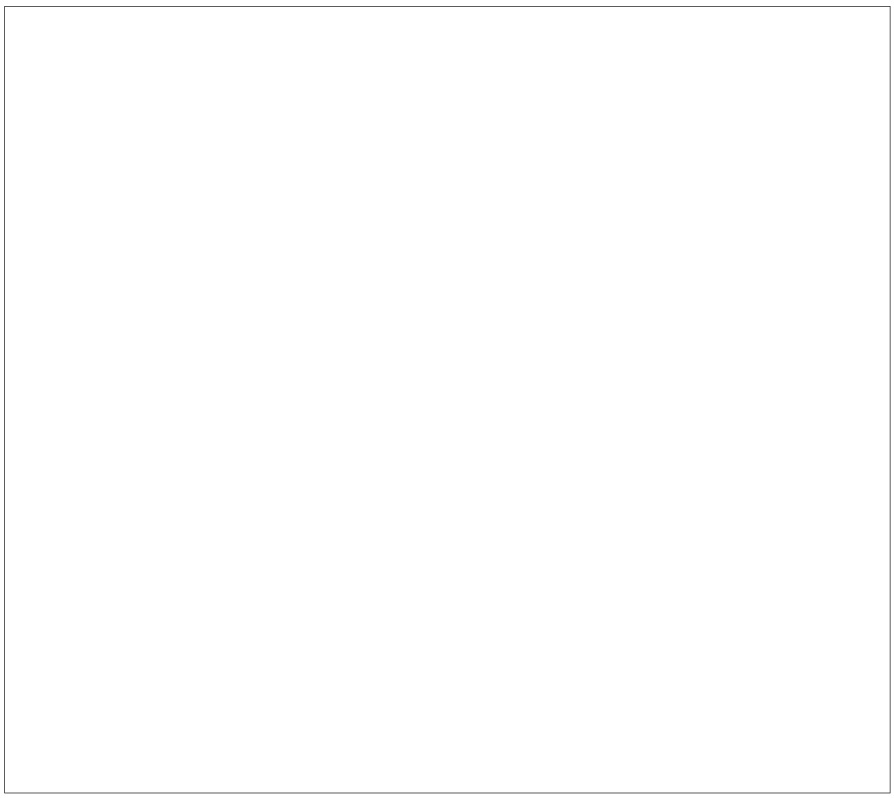

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In Brief

USSR

— Moderate republic party second secretary Leonid Kravchuk elected to chair Ukrainian Supreme **Soviet** . . . nationalist Rukh opposition boycotted vote . . . his conciliatory stance toward Rukh may open way for compromise in legislature.

— **Soviets** tightening border controls to halt outflow of scarce consumer goods . . . scarcities in Eastern Europe and low prices make goods attractive . . . lucrative, high-volume traffic will be difficult to curtail.

— **Soviet** Belorussia has announced plans to open consulate in **Poland** in next few months . . . seeking direct contacts with foreign countries . . . suggests Belorussia will soon declare sovereignty.

— Private US-**USSR** satellite TV system to bring Western programs to Soviet schools, town councils, and later to private homes . . . although Soviets already bootlegging Western signals, newly approved system will expand *glasnost.*

Middle East

— **Soviet**, Arab legislators last week called for international Arab-**Israeli** peace conference . . . also discussed peace process with PLO Executive Committee members in Moscow . . . Soviets using lull in US peace efforts to gain Arabs' favor.

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Americas

— **Nicaraguan** Contra commander Franklin ousted last week by commanders' council . . . shows rank and file dissatisfied with pace of resettlement, some also resented Franklin's acceptance of aid from Sandinista army.

East Asia

— **North Korea** today rejected **South Korea**'s proposal to meet Friday to discuss P'yongyang's conditions for accepting limited opening of border . . . says talks "unnecessary" . . . Roh says Seoul will proceed with opening regardless of rebuff.

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China: Crime and Corruption

Disputes over local policies, coupled with greater tolerance for acquiring material wealth and increased peasant mobility, have fostered a sharp increase in rural crime. *People's Daily* last November reported robbers had stripped 147 of 192 railcars carrying grain to disaster-hit Yunnan Province in 1989; other reports have indicated the number of pirates operating along the Yangtze River is increasing. Five men reportedly were executed in Jilin Province in December for demolishing electric transformers and stealing thousands of meters of cables and wires, thus plunging several villages into darkness and interfering with irrigation systems.

Local officials reportedly have offered protection to some rural criminal gangs. Rural officials are cashing in in other ways; some peasants reportedly must use bribery to get medical care or legal aid. The Chinese press reported last August that a provincial party official had extorted more than $300 in "legal fees"—roughly equal to two years of the average peasant's income—from a peasant who needed help hiring an attorney.

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Special Analysis

CHINA:

Coping With Unrest in the Countryside

China's leadership is deeply concerned about growing unrest in the countryside. The ferment will add to the erosion of central authority and may become destabilizing if party leadership factions try to exploit peasant discontent to advance their own political fortunes.

A commentary in *Peasant Daily* last year warned social order in the countryside had been deteriorating for several years, pointing to rising numbers of robberies, rapes, murders, and assaults on rural officials.

Policies at the Root of Peasant Anger

Much of the unrest stems from incomplete agricultural reforms. Productivity gains from dismantling agricultural communes in the early 1980s have been exhausted, and Beijing has not followed through with price and ownership reforms to sustain growth. Peasant anger has grown as rural incomes have sagged and as local officials have increasingly coerced peasants into carrying out government agricultural policies:

— Last summer rural officials reportedly forced some peasants to fulfill government grain contracts by refusing to register their children for school and by confiscating treasury bonds and household furniture.

— Beijing's tight credit policies resulted in the issuance for the second successive year of IOUs for grain, oilseeds, wool, and hogs.

— Local officials have often taken fertilizer earmarked by the central government for sale to peasants at subsidized prices and have resold it on the open market, triggering widespread peasant seizures of fertilizer from trucks, warehouses, and factories.

— Some officials have adjusted land leases to give the best farmland to themselves and family and friends, resulting in armed clashes as peasants try to retake their land.

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China: The Rural Unemployed—Potential Source of Unrest

More peasants are looking for jobs at a time when local factories are struggling to use effectively what labor they already employ. in October that there were 80 million surplus laborers in rural areas but that options for employment were drying up. Rural industries last year hired 50 percent fewer new workers than in 1988, according to Ministry of Agriculture estimates. Cutbacks in government spending for capital construction reportedly have hit rural construction crews particularly hard; 5 million such laborers have been laid off, according to the Chinese press.

In Zhejiang Province, where more than 5 million peasants—a fourth of the province's labor market—work for rural enterprises, 1 million reportedly quit last winter and returned to farming. Meanwhile, officials in Yunnan Province reportedly are expecting local unemployment to reach near-historic highs within the next few years.

Urban areas are not insulated from the effects of rural unemployment; unemployed rural workers often prefer to seek work in the cities. Railway Department statistics issued last August, for example, show 6,000 jobseekers, mostly peasants from southern provinces, are entering Guangzhou Municipality everyday, and the figure is expected to increase. Many unemployed rural workers in the cities fail to find jobs and turn to petty theft or more serious crimes.

— Arbitrary taxes and fees have grown faster than per capita income. In more than 7,000 cases in the past four years, peasants have risen in arms against tax collectors, according to the Hong Kong press.

Beijing's Stopgap Response

Beijing is relying on administrative directives and political propaganda to stem the unrest. Last year it recentralized fertilizer distribution in the hands of state-run supply companies, and this year it has issued regulations to curb tax abuses and has ordered investigations of illegal occupation of farmland. Beijing is also calling on local officials to strengthen propaganda work and to increase cultural diversions in rural areas.

Rural Unrest Will Grow, Undermining Beijing's Control

Beijing's makeshift methods are unlikely to work; the number of violent clashes, occasionally involving hundreds of peasants, probably will grow within the next year or two. Ultimately, only a return to economic prosperity will reduce rural tensions. Ideological appeals and administrative measures will not deter corrupt local leaders responsible for many abuses. Other economic pressures, such as the use of coercion by rural officials to ensure compliance with grain quotas, will also keep tensions high. Peasant hostility to party and government officials will intensify as Beijing's austerity policies constrain economic opportunities in the countryside; rural enterprises, a key source of income for many peasants, have been especially hard hit.

Social unrest will weaken Beijing's economic control and political authority, limiting what it can accomplish in reviving the rural economy. Over the long run, rural discontent will contribute to the increasing perception in China that the central authority is weak and ineffective.

The troubled agricultural policy might be a major battleground in policy debates in Beijing, with hardliners arguing for greater centralization and reformers calling for more market-oriented policies. The policy paralysis generated by such leadership maneuvering probably would allow abuses by rural officials to intensify, along with a peasant backlash, and social order in the countryside might unravel. Rural unrest would be particularly destabilizing if party leadership factions tried to manipulate peasant discontent for political gain.

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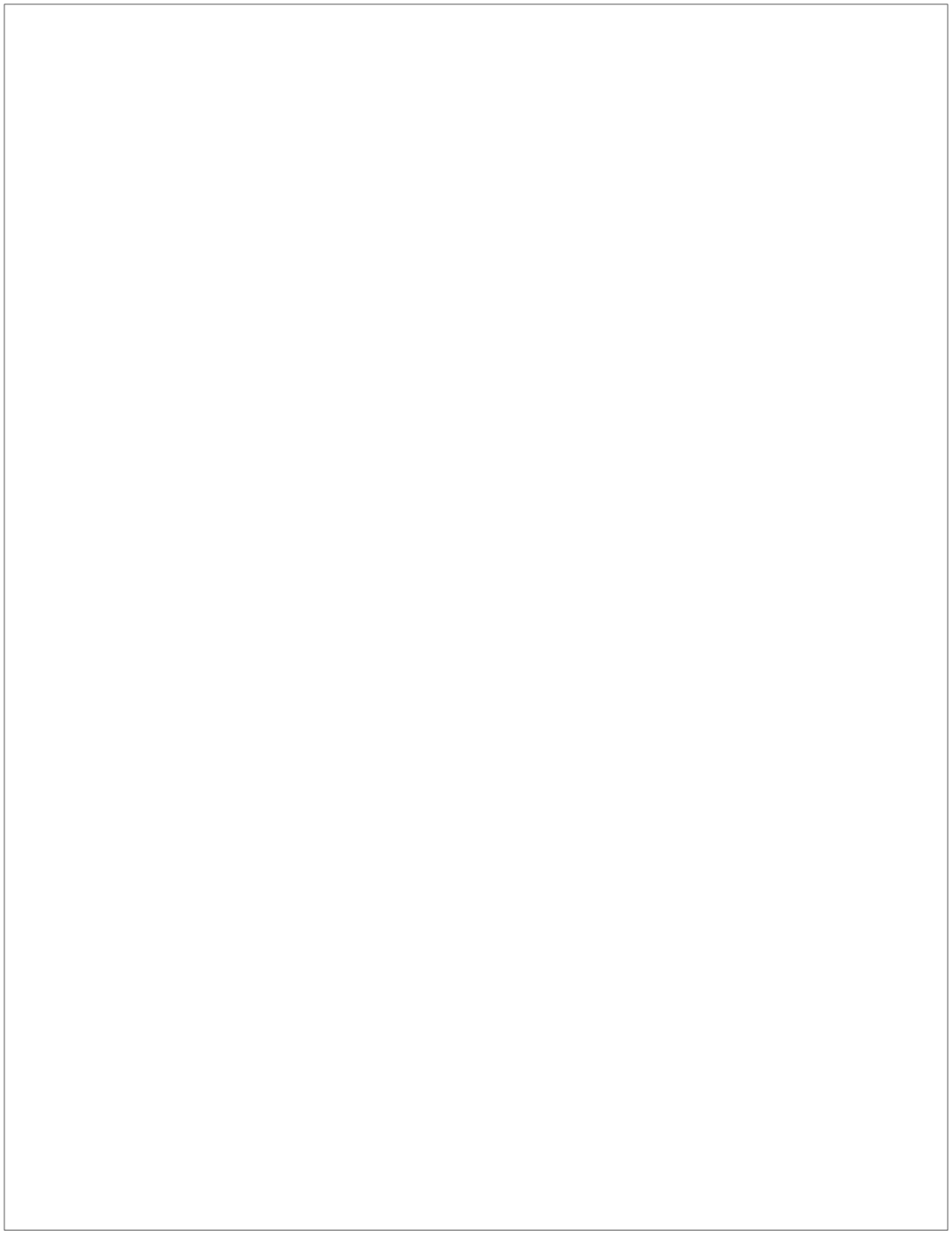

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